

## **FISCAL NOTE**

### **HB 870 - SB 1113**

March 17, 2007

**SUMMARY OF BILL:** Enacts the “Keep Jobs in Tennessee Act of 2007.” Prohibits state and local government entities from entering into contractual agreements with entities that perform the work outside the United States.

#### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Exceeds \$4,600,000**

**Increase Local Govt. Expenditures – Exceeds \$1,000,000\***

Assumptions:

- An increase in the cost of state and local government contracts, particularly IT service contracts.
- The state has at least \$3,000,000,000 worth of service contracts each year. At least 10% are for data and IT services and at least 15% of these vendors utilize offshore labor. According to the Comptroller of the Treasury, a review of relevant studies on the savings provided by utilizing offshore services indicates that these contracts would see an increase in cost of 10% if offshore services were not authorized. Therefore, there would be an increase in state expenditures estimated to exceed:

$$\$3,000,000,000 \times 10\% \times 15\% \times 10\% = \$4,500,000$$

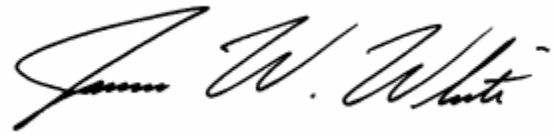
- The Department of Finance and Administration will be charged with ensuring vendor compliance with the provisions of the bill. Due to the volume of contracts which will have to be reviewed, the department will require two additional positions with a combined recurring cost of \$100,000.
- Local governments will experience an increase in expenditures arising from the increased cost of contracts, particularly those for IT services, and the administrative costs of compliance with the provisions of the legislation. While data for local government contracts is not as readily available as that for the state which makes a precise estimate difficult, based on the projected expenditures for the state, it can reasonably be

estimated that the increase in local government expenditures will exceed \$1,000,000.

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a stylized, elongated script, followed by "W." and "White".

James W. White, Executive Director